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October 10, 2014

VIA HAND DELIVERY

Hon. Jeff R. Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort KY 40601-8294

RECEIVED

OCT 10 2014

PUBLIC SERVICE
COMMISSION

***Re: Tariff Filing of Mountain Rural Telephone Cooperative Corporation, Inc.,
Case No. 2014-00309 before the Public Service Commission of the
Commonwealth of Kentucky***

Dear Mr. Derouen:

On behalf of Mountain Rural Telephone Cooperative Corporation, Inc., enclosed for filing with the Public Service of the Commonwealth of Kentucky are one (1) original and ten (10) copies of the following documents.

- 1) Application for a General Adjustment in Rates;
- 2) Motion for Waiver of Certain Rate Application Filing Requirements; and
- 3) Petition for Confidential Treatment

Thank you, and if you have any questions with regard to this matter, please call me.

Very truly yours,

DINSMORE & SHOHL LLP



John E. Selent

JES/bmt
Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

OCT 10 2014

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF MOUNTAIN RURAL TELEPHONE) CASE NO. 2014-00309
COOPERATIVE CORPORATION, INC.)
FOR A GENERAL ADJUSTMENT IN RATES)

APPLICATION

Applicant Mountain Rural Telephone Cooperative Corporation, Inc. (“Mountain”), by counsel, pursuant to KRS 278.180, 807 KAR 5:001, Sections 14 and 16, and 807 KAR 5:011, Section 6, and consistent with the Public Service Commission of the Commonwealth of Kentucky’s (the “Commission”) May 29, 2013 order in Case No. 2013-00194 (the “2013 Rate Floor Order”), files this application (the “Application”) for authority to adjust its rates and charges for basic local exchange service and gives notice of its intention to increase the same rates and charges effective November 30, 2014.

INTRODUCTION

This Application for a rate increase is necessitated by an order from the Federal Communications Commission (“FCC”) that fundamentally alters the cost structure of providing telecommunications services in high-cost rural areas, like those Mountain serves. *See In the Matter of Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov 18, 2011) (“ICC/USF Order”). For decades prior to the ICC/USF Order, high-cost carriers had received subsidies from the federal government’s “Universal Service Fund” (“USF”). Those USF subsidies were intended to fulfill the Federal Communications Act’s requirement that “[c]onsumers in all regions of the Nation, including . . . those in rural, insular, and high cost areas, should have access to telecommunications and

information services . . . that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.” 47 U.S.C. § 254(b)(3). The FCC found, however, that many rural consumers were paying rates that were less than those paid by consumers in urban areas. ICC/USF Order at ¶ 235. In consequence, the FCC's ICC/USF Order sets a rate floor equal to the national average of local rates plus state regulated fees. *Id.* at ¶ 238. The ICC/USF Order also “limit[s] high-cost support where local end-user rates plus state regulated fees” do not meet that national rate floor; those carriers’ federal subsidies will be reduced “on a dollar-for-dollar basis . . . , to the extent that [the] carrier’s local rates (plus state regulated fees) do not meet the urban rate floor.” *Id.* at ¶ 239.

On June 10, 2014, the FCC altered the schedule for the imposition of rate floor penalties, effectively requiring carriers to ensure that their 2014 rate floor obligations are met no later than December 1, 2014. *See In the Matter of Connect America Fund et al.*, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54, ¶¶ 79-80.

Mountain’s proposed rate adjustment is thus necessary to preserve its ability to receive these USF subsidies that are important to its ability to provide telephone and information services in its high-cost rural service territory. Without a minimum rate sufficient to meet the FCC’s new rate floor, high-cost carriers like Mountain will lose significant federal funding that has historically allowed these carriers to provide service to the most costly, rural customers. That loss of federal funding will threaten the financial existence of these rural carriers like Mountain, who have important obligations under federal and state law as carriers of last resort. Moreover, the loss of those subsidies would increase the pressure for Mountain to raise its rates

even higher than the federal rate floor sought here because any loss of federal funds would lead to a need for Mountain to make up that revenue directly from its customer-members.

* * * * *

In support of its Application, Mountain states as follows:

1. Pursuant to 807 KAR 5:001, Section 14(1): (i) the full name of the applicant is Mountain Rural Telephone Cooperative Corporation, Inc.; (ii) the mailing address of the applicant is 425 Main Street, Suite A, / P.O. Box 399, West Liberty, KY 41472-0399; and (iii) the electronic mailing address of the applicant is SIson@MountainTelephone.com.

2. Pursuant to 807 KAR 5:001, Section 14(2), Mountain states that it is currently in good standing in the Commonwealth of Kentucky, where it is incorporated. A certified copy of Mountain's Articles of Incorporation and all amendments thereto is on file with the Commission in Case No. 2013-00194.

3. Pursuant to 807 KAR 5:001, Section 16(1)(b)(1), Mountain provides the following statement of the reason the adjustment is requested. Further details are provided in Exhibit 1 of this Application.

a. Mountain is a rural incumbent local exchange carrier serving all or parts of Elliott, Morgan, Menifee, Bath, and Wolfe Counties (the "Service Territory"). Mountain was established in 1950 as a not-for-profit, member-owned cooperative with the principal purpose of providing local telephone service to business and individual members within the exchanges of Jeptha, Hazel Green, Campton, Ezel, Sandy Hook, West Liberty and Frenchburg in eastern Kentucky. Mountain provides approximately 11,535 residential lines and 3,004 business lines to its members. Mountain is an eligible telecommunications carrier ("ETC"), and it is also the carrier of last resort ("COLR") in the Service Territory. In 2013, Mountain received \$3,151,530

from the High Cost Loop Support (“HCLS”) Fund to support its COLR responsibilities in the Service Territory.

b. This proceeding was motivated by an order of the FCC that implemented “a rule to limit high-cost support where end-user rates do not meet a specified local rate floor.” See ICC/USF Order at ¶ 235.

c. Under the rule, local exchange carriers such as Mountain must meet a specified rate floor in each year in order to be eligible to receive the maximum possible amount of HCLS funding from the FCC. Failure to meet the rate floor by the deadline will result in a reduction in HCLS funding that the carrier could have otherwise received for that year. ICC/USF Order at ¶¶ 133, 238-40. Therefore, Mountain requires an adjustment of its rates to comply with the FCC’s 2014 rate floor, thereby maintaining eligibility for the 2014 maximum amount of HCLS funding.

4. The requirements of 807 KAR 5:001, Section 16(1)(b)(2), are inapplicable because Mountain does not operate under an assumed name pursuant to KRS 365.015.

5. Pursuant to 807 KAR 5:001, Section 16(1)(b)(3), Mountain has attached its proposed tariff, in such form as is required by 807 KAR 5:011, as part of Exhibit 2. The proposed effective date of the proposed tariff is November 30, 2014, at least 30 days from the date the Application is filed.

6. Pursuant to 807 KAR 5:001, Section 16(1)(b)(4), Mountain has attached as part of Exhibit 2 its present tariff using italicizing, underscoring, and strikethroughs to show proposed revisions.

7. Pursuant to 807 KAR 5:001, Section 16(1)(b)(5), Mountain states that notice has been given in compliance with 807 KAR 5:001, Section 17, as described below:

a. Pursuant to 807 KAR 5:001, Section 17(1), Mountain has posted at its place of business a copy of the Public Notice and will, within five (5) days of the filing of the Application, post on its website a copy of the Public Notice and a hyperlink to the location on the Commission's website where the case documents are available. A copy of the Public Notice is attached hereto as part of Exhibit 3.

b. Pursuant to 807 KAR 5:001, Section 17(2), Mountain, which has more than twenty (20) customers and is not a sewage utility, has provided notice to its customers by including the notice with customer bills mailed no later than the date the Application is submitted to the Commission. A copy of the notice sent to customers is attached hereto as part of Exhibit 3.

c. Pursuant to 807 KAR 5:001, Section 17(3), an affidavit verifying Mountain's provision of the required notice to its customers is attached hereto as part of Exhibit 3.

d. Pursuant to 807 KAR 5:001, Section 17(4), Mountain states that the Public Notice attached to this Application as part of Exhibit 3 complies with all "Notice Content" requirements prescribed by regulation because it contains all of the following elements:

- i. The proposed effective date and the date the proposed rates are expected to be filed with the Commission;
- ii. The present rates and proposed rates for each customer classification to which the proposed rates will apply;
- iii. The amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply;

- iv. The effect upon the average bill for each customer classification for the proposed rate change in basic local service;
- v. A statement that a person may examine this Application at Mountain's offices;
- vi. A statement that a person may examine this Application at the Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Commission's Web site at <http://psc.ky.gov>;
- vii. A statement that comments regarding the Application may be submitted to the Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602;
- viii. A statement that the rates contained in this notice are the rates proposed by Mountain but that the Commission may order rates to be charged that differ from the proposed rates contained in the notice;
- ix. A statement that a person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party; and
- x. A statement that if the Commission does not receive a written request for intervention within thirty (30) days of initial

publication or mailing of the notice, the Commission may take final action on the Application.

8. The requirements of 807 KAR 5:001, Section 16(1)(b)(6), are inapplicable because Mountain is not a water district.

9. Pursuant to 807 KAR 5:001, Section 16(2), Mountain states that it notified the Commission in writing of its intent to file the Application on August 29, 2014, at least thirty (30) days but not more than sixty (60) days prior to filing the Application. A copy of the notice of intent is included as Exhibit 4 of this Application. Pursuant to 807 KAR 5:001, Section 16(2)(a), the notice of intent stated whether the Application will be supported by a historical test period or a fully forecasted test period. Pursuant to 807 KAR 5:001, Section 16(2)(c), Mountain sent by electronic mail a .pdf copy of the notice of intent to the Attorney General's Office of Rate Intervention (rateintervention@ag.ky.gov) upon filing it with the Commission. A copy of this email, including the attached notice of intent, is included as part of Exhibit 4 of this Application.

10. The requirements of 807 KAR 5:001, Section 16(3), are inapplicable because Mountain is not an electric utility.

11. Pursuant to 807 KAR 5:001, Section 16(4)(a), a narrative summary of the particular circumstances that justify and support Mountain's Application, including a statement of the reason the adjustment is required, is attached hereto as Exhibit 1 and is incorporated herein by reference. Exhibit 1 is filed subject to a Petition for Confidential Treatment pursuant to 807 KAR 5:001, Section 13, filed contemporaneously with this Application.

12. As more fully explained in Mountain's Motion for Waiver of Certain Rate Application Requirements ("Motion for Waiver") filed contemporaneously with this Application,

Mountain seeks waiver of 807 KAR 5:001, Section 16(4)(b), requiring the applicant's witnesses' prepared testimony.

13. The requirements of 807 KAR 5:001, Section 16(4)(c) are inapplicable because Mountain has gross annual revenues in excess of \$5,000,000.00.

14. Pursuant to 807 KAR 5:001, Section 16(4)(d), Mountain estimates that the total proposed rate adjustment will be an annualized decrease of \$68,652.00.

15. The requirements of 807 KAR 5:001, Section 16(4)(e), are inapplicable because Mountain is not an electric, gas, sewage, or water utility.

16. Pursuant to 807 KAR 5:001, Section 16(4)(f), Mountain states that the proposed rate adjustment will likely decrease the average affected customer bill by approximately \$0.50. Additional details regarding the anticipated impact on affected customers are set forth in Exhibit 1.

17. Pursuant to 807 KAR 5:001, Section 16(4)(g), Mountain states that because the FCC's rate floor requirements apply only to residential rates, only Mountain's Residential customer class will be affected by the proposed rate adjustment. Mountain's analysis of customers' bills and the corresponding revenue impact are provided in Mountain's responses to the requirements of Section 16(4)(d) and 16(4)(f) in paragraphs 14 and 16 above.

18. Pursuant to 807 KAR 5:001, Section 16(4)(h), Mountain states that parts A and B of its 2013 RUS operating report containing its TIER calculation, which assesses Mountain's actual revenue position compared to its required operating revenues, is attached as Exhibit 5. To the extent the Commission believes this section imposes additional requirements relevant to this Application, Mountain respectfully seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver.

19. As more fully explained in Mountain's Motion for Waiver, Mountain seeks waiver of 807 KAR 5:001, Section 16(4)(i), requiring a reconciliation of the rate base and capital used to determine revenue requirements.

20. Pursuant to 807 KAR 5:001, Section 16(4)(j), Mountain has attached a current chart of accounts as Exhibit 6.

21. Pursuant to 807 KAR 5:001, Section 16(4)(k), Mountain has attached its independent auditor's annual opinion report hereto as Exhibit 7. The other requirements of this section are inapplicable because Mountain's independent auditor has not indicated "the existence of a material weakness in Mountain's internal controls."

22. The requirements in 807 KAR 5:001, Section 16(4)(l), are inapplicable because Mountain has not been audited by the FCC.

23. Pursuant to 807 KAR 5:001, Section 16(4)(m), Mountain states that its most recent PSC Form T is on file with the Commission.

24. As more fully explained in Mountain's Motion for Waiver, Mountain seeks waiver of 807 KAR 5:001, Section 16(4)(n), requiring a summary of the latest depreciation study.

25. Pursuant to 807 KAR 5:001, Section 16(4)(o), requiring a schedule of detailed information regarding all software, programs, and models used to prepare the Application, Mountain states that it utilized no specialized software, program, or models, and relied on Microsoft Word and Microsoft Excel to prepare the Application and supporting exhibits.

26. The requirements of 807 KAR 5:001, Section 16(4)(p), are inapplicable because Mountain has never made a stock or bond offering.

27. The requirements of 807 KAR 5:001, Section 16(4)(q), are inapplicable because Mountain does not provide a formal annual report to its members. Instead, the company includes its year-end balance sheet in its newsletter and on its website <http://www.mrtc.com/Publications/newsletter.pdf> and invites its members to an annual meeting to discuss its operations. To the extent the Commission believes this section requires the provision of additional materials, Mountain seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver.

28. As more fully explained in Mountain's Motion for Waiver, Mountain seeks waiver of 807 KAR 5:001, Section 16(4)(r), requiring monthly managerial reports.

29. The requirements of 807 KAR 5:001, Section 16(4)(s), are inapplicable because Mountain is not required to file the U.S. Securities and Exchange Commission's Form 10-K, Form 8-K, or Form 10-Q.

30. The requirements of 807 KAR 5:001, Section 16(4)(t), are inapplicable because Mountain has not had any amounts charged or allocated to it by an affiliate or general or home office, and has not paid any monies to an affiliate or a general or home office during the test period or during the previous three (3) calendar years.

31. The requirements of 807 KAR 5:001, Section 16(4)(u), are inapplicable because Mountain is not an electric, gas, sewage, or water utility.

32. The requirements of 807 KAR 5:001, Section 16(4)(v), are inapplicable because Mountain has fewer than 50,000 access lines.

33. The requirements of 807 KAR 5:001, Section 16(5), are inapplicable because Mountain's Application does not include any pro forma adjustments. To the extent the Commission believes the requirements of this section apply to this Application, Mountain

respectfully seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver.

34. The requirements of 807 KAR 5:001, Section 16(6), are inapplicable because Mountain is not requesting a general adjustment in rates supported by a fully forecasted test period.

35. The requirements of 807 KAR 5:001, Section 16(7), are inapplicable because Mountain is not requesting a general adjustment in rates supported by a fully forecasted test period.

36. The requirements of 807 KAR 5:001, Section 16(8), are inapplicable because Mountain is not requesting a general adjustment in rates supported by a fully forecasted test period.

37. Pursuant to ¶ 3.a of the 2013 Rate Floor Order, Mountain has provided an estimate of the annual revenue to be received in 2014 from HCLS in Exhibit 1, Attachment A.

38. Pursuant to ¶ 3.b of the 2013 Rate Floor Order, Mountain has provided an estimate of the annual revenue to be lost due to adjustment of terminating access rates in the "Financial Support for Filing" section of Exhibit 1.

39. Pursuant to ¶ 3.c of the 2013 Rate Floor Order, Mountain has provided an estimate of the annual revenue to be generated by the tariff changes in Exhibit 1, Attachment C and in response to the requirements of 807 KAR 5:001, Section 16(4)(d), above.

40. Pursuant to ¶ 3.d of the 2013 Rate Floor Order, Mountain has provided an estimate of historical line counts in Exhibit 1, Attachment B. As more fully explained in Mountain's Motion for Waiver, Mountain seeks partial waiver of ¶ 3.d of the 2013 Rate Floor Order, insofar as it requests projected line losses.

41. Pursuant to ¶ 3.e of the 2013 Rate Floor Order, Mountain has provided historical and projected universal service support information in the narrative response of Exhibit 1 and in Exhibit 1, Attachment A. As is certified annually to the Commission, these funds are used by Mountain to provide voice and advanced data services to its customers, thereby providing its communities with access to critical communications and broadband services.

42. Pursuant to ¶ 3.f of the 2013 Rate Floor Order, Mountain states that narrative support for the proposed rate adjustment is contained in this Application and in Exhibit 1.

WHEREFORE, Mountain Rural Telephone Cooperative Corporation, Inc. respectfully requests that the Public Service Commission of the Commonwealth of Kentucky enter a final order approving Mountain's proposed revisions to the applicable tariffs and grant all other relief to which it is entitled.

Respectfully submitted,



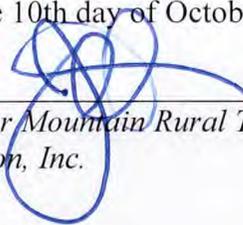
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Phone: (502) 540-2300
Fax: (502) 585-2207
*Counsel to Mountain Rural Telephone
Cooperative Corporation, Inc.*

CERTIFICATE OF SERVICE

I certify that, on the date this Application was filed with the Kentucky Public Service Commission, a true and accurate copy of the foregoing was served by Federal Express or by hand delivery upon the persons listed below.

Kentucky Attorney General
Office of Rate Intervention
700 Capitol Avenue, Suite 118
Frankfort, Kentucky 40601-3449

On this the 10th day of October, 2014.



*Counsel for Mountain Rural Telephone Cooperative
Corporation, Inc.*

Description and Reason for Filing

With this filing, Mountain Rural Telephone Cooperative Corporation, Inc. (“Mountain”) proposes to increase its basic residential local service rates by \$2.00, to \$16.00 per month but to offset those increases by including Caller ID with all basic residential service and by reducing the price for the Caller Name feature. This filing is in response to the November 18, 2011 order by the Federal Communications Commission that mandates minimum local residential service rate levels as a condition of continue receipt of certain federal universal service supports. In that Order¹ (the so-called “Transformation Order”) the FCC required that local exchange rates be set at or above a rate floor of \$10, as of June 1, 2012; \$14 as of June 1, 2013, and an “urban rate” – at that time undefined – on or before June 1, 2014 (“2014 rate floor”). The Transformation Order mandated that Companies with rate levels below the applicable rate floor be penalized with a dollar for dollar reduction in federal high cost loop support (“HCLS”).

On March 20, 2014 the FCC released the results of its controversial urban rate floor survey² that established the 2014 rate floor of \$20.46; if implemented, this floor would become the basis on which HCLS recipients below the floor would be subject to the loss of funding as required by the FCC’s Transformation Order. On June 20, 2014 the FCC issued an Order on Reconsideration³ that modified the proposed 2014 urban rate floor to allow for a phase-in of the residential rate floor. Under its revised implementation schedule, companies were given the option to implement the rates over a 4-year period:

Therefore, we waive the application of section 54.318(b) for lines reported July 1, 2014, with a rate of \$14 or above. Commencing January 2, 2015 (reflecting rates

¹ *In the Matter of Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov 18, 2011)

² *Wireline Competition Bureau Announces Results of Urban Rate Survey for Voice Services; Seeks Comment on Petition for Extension of Time to Comply with New Rate Floor*, Public Notice, DA 14-384, Released March 20, 2014

³ Report and Order, Declaratory Ruling, Order, Memorandum Opinion And Order, Seventh Order On Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54 (June 10, 2014)

as of December 1, 2014), and thereafter, through June 30, 2016, we waive section 54.318(b) to the extent reported lines are greater than or equal to \$16. For the period between July 1, 2016, and June 30, 2017, we waive section 54.318(b) to the extent reported rates are greater than or equal to \$18, or the 2016 rate floor, whichever is lower. For the period between July 1, 2017, and June 30, 2018, we waive section 54.318(b) to the extent reported rates are greater than or equal to \$20, or the 2017 rate floor, whichever is lower.⁴

Proposed Revisions and Customer Impact

With this filing, Mountain's basic residential rates are proposed to rise to \$16.00. No change is proposed to the Company's basic business services which are outside the rate floor of the FCC's Transformation Order but are above the \$16.00 rate floor, in any case.

To offset the cost of this increase on its subscribers, Mountain will eliminate the rate for residential caller number delivery service and make that service part of the basic residential service.

Company information

The full name and address of the Company is Mountain Rural Telephone Cooperative Corporation, Inc., 425 Main Street, Suite A, / P.O. Box 399, West Liberty, KY 41472-0399. Mountain was established in 1950 as a member owned cooperative to provide local telephone service to business and individual members within the exchanges of Jephtha, Hazel Green, Campton, Ezel, Sandy Hook, West Liberty and Frenchburg in eastern Kentucky. Mountain is a rural incumbent local exchange carrier serving all or parts of Elliott, Morgan, Menifee, Bath, and Wolfe Counties. Mountain provides approximately 11,535 residential lines and 3,004 business lines to its members.

Mountain is an eligible telecommunications carrier ("ETC") in the communities it serves and is also the carrier of last resort ("COLR") in its service area. In 2013, Mountain

⁴ *Ibid.*, para. 80

received \$3,151,530 from the High Cost Loop Support (“HCLS”) Fund to support its COLR responsibilities in its service territory. As a high cost company, all HCLS revenues are crucial for the Company to continue to meet its COLR responsibilities and to also bring advanced services to the communities it serves.

A schedule of the Company’s quarterly high cost support is provided in Attachment A of this exhibit. Historic access line counts as reported the National Exchange Carrier Association, are provided in Attachment B.

Financial Support for Filing

While Mountain proposes to offset its increase in local service rates with price reductions in excess of that increase from the bundling of caller ID with its basic service, it is doing so to minimize the impact on its members while meeting the FCC’s rate floor. Were it not for the financial penalties imposed on companies that fail to meet the FCC residential rate floor, Mountain would not otherwise be making this adjustment.

Companies who fail to meet the 2014 rate floor will experience a dollar for dollar reduction in HCLS beginning in January, 2015. As shown below, Mountain is seeking to increase its basic rates by \$2 (before offsets) and by doing so it will retain approximately 9.3% of its total HCLS support, or \$277K per year. As further detailed in Attachment C of this Exhibit, Mountain anticipates that its actual rate charged will be a 50-cent *reduction* but believes that its competitive environment coupled with its not-for-profit, member-owned status warrants the changes proposed here.

	Subscribers	Current Rate	FCC Floor	At Risk
Residential Twelve month estimate 2014	11,535	\$ 14.00	\$ 16.00	\$ 276,840
Annual HCLS (using 2014 projections)				\$2,986,812
Support at risk absent a rate increase				9.3%

Included in the FCC’s Transformation Order was a requirement that carriers cap and reduce not only their reciprocal, state and interstate inter-carrier compensation rates but also the revenues the Company was allowed to collect. Under the formula specified in the Transformation Order, the FCC capped the allowable terminating access revenues from intercarrier compensation at fiscal year 2011⁵ collected levels and established a phase down of those allowed amounts over the subsequent 5 years. With this change, Mountain cannot collect more than its current capped revenue amount net 5% *each year*. As shown in the step down exhibit below, the cumulative FCC-mandated reduction in its state access revenue recovery has been reduced over [REDACTED]

	Eligible State Access Recovery	
	Access Cap	Reduction
FY2011	[REDACTED]	[REDACTED]
2012-2013 Fiscal Period	[REDACTED]	[REDACTED]
2013-2014 Fiscal Period	[REDACTED]	[REDACTED]
2014-2015 Fiscal Period	[REDACTED]	[REDACTED]
Cumulative Reduction	[REDACTED]	[REDACTED]

This is the second residential rate increase filed by Mountain to meet the FCC rate floor. Mountain previously met the previous rate floor on June 1, 2013⁶ by increasing its residential service rate by \$3.37 to \$14. Based on its year-end residential access line count, that revision increased its annual local service revenues by \$466K, substantially below FCC-mandated access revenue reductions.

With this filing, Mountain proposes to minimize a price increase by providing all residential subscribers with caller number service thereby offsetting the \$2.00 rate adjustment. With this filing, Mountain further proposes to provide all of its residential subscribers with

⁵ October 1, 2010 through September 30, 2011.

⁶ Case No. 2013-00194

Caller Number delivery services, a \$3.50 per month savings and reduce the rate charged for its optional Caller Name Service to \$ 1.50; a \$3.00 per month savings for those subscribers. As shown in Attachment C of this Exhibit, by offsetting the rate increase with the combination of rate elimination or reduction of rates charged, Mountain anticipates that this filing will result in a slight reduction in local service revenue of \$68,652, separate from the significant reductions in access revenue imposed on it to date by the FCC's "glide path" reductions.

Summary

The FCC's Order continues to dramatically change the revenue sources historically available to rural telephone companies like Mountain for use in meeting their COLR obligation and to expand the availability of advanced broadband services to their customers. Unfortunately, for many of these affected companies, doing so requires upward pressure on local service rates. Mountain has attempted to offset this pressure by including Caller ID with all basic residential service and by reducing the price for the Caller Name feature. As shown in this documentation, Mountain has no other realistic options available to it and requests that its tariff revisions be approved.

**Mountain Rural Telephone Cooperative
2014 High Cost Support**

**Case 2014-00309
Exhibit 1
Attachment A**

Report Cycle	State	SAC	Study Area Name	Connect America Fund ICC Monthly Support	HCL Monthly Support	ICLS Monthly Support	Total High Cost Monthly	Total High Cost Quarterly
1Q14	KY	260414	MOUNTAIN RURAL COOP	\$216,145	\$ 252,741	\$357,465	\$ 826,351	\$ 2,479,053
2Q14	KY	260414	MOUNTAIN RURAL COOP	\$216,145	\$ 251,232	\$357,465	\$ 824,842	\$ 2,474,526
3Q14	KY	260414	MOUNTAIN RURAL COOP	\$216,145	\$ 245,815	\$355,387	\$ 817,347	\$ 2,452,041
4Q14	KY	260414	MOUNTAIN RURAL COOP	\$167,348	\$ 245,816	\$355,387	\$ 768,551	\$ 2,305,653

2014 Calendar Year

\$ 2,986,812

The Exhibit 1(B) attachment has been omitted from the public filing. It has been provided under a petition for confidential treatment

REDACTED

Mountain Rural Telephone Cooperative
2014 Rate Impact Analysis
Confidential

Case 2014-00309
Exhibit 1
Attachment C

	<u>Demand</u>	<u>Current</u>		<u>Proposed</u>	
		<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>
Residential Lines		\$ 14.00		\$ 16.00	
Caller Name and Number		\$ 4.50		\$ 1.50	
Caller Number		\$ 3.50		\$ -	
CALL ID / CALL WAITING / CALL ID+		\$ 8.00		\$ 5.00	
			\$207,028		\$201,314

Average Change Per subscriber, per Month -2.8% \$ (0.50)

	Current	Revised	Change	% Change
Caller Name Subscribers	\$ 18.50	\$ 17.50	\$ (1.00)	-5.4%
Caller Number Subscribers	\$ 17.50	\$ 16.00	\$ (1.50)	-8.6%
Package Subscribers	\$ 22.00	\$ 21.00	\$ (1.00)	-4.5%
No-feature Subscribers *	\$ 14.00	\$ 16.00	\$ 2.00	14.3%

* all residential subscribers will received caller Number Delivery Service

Mountain Rural Telephone Cooperative Corporation, Inc.
Case 2014-00309

Exhibit 2

- **Proposed Tariff Pages (Proposed)**
- **Proposed Tariff Pages (Proposed with Black Line)**

Mountain Rural Telephone Cooperative Corporation, Inc.
Case 2014-00309

Exhibit 2

Proposed Tariff Pages (Clean)

GENERAL SUBSCRIBER SERVICES TARIFF

Mountain Rural Telephone
Cooperative

Section C
6th Revised Sheet 2

C.1 Local Exchange Service Rates

C.1.1 Definitions

Basic Local Access Charge – The recurring monthly charge for residential or business service that accounts for network services through the protector.

C.1.2 Monthly exchange service rates as authorized by the Kentucky Public Service Commission.

1. Monthly exchange rates for:
Campton
Ezel
Frenchburg
Hazel Green
Jeptha
Sandy Hook
West Liberty

One-party service

Basic Local Access Charge	<u>Residence</u>	<u>Business</u>
With Touch-tone	\$16.00 (I)	\$17.63

Touch-tone is provided as described in section M.5 of this tariff for both Residential and Business subscribers. Residential Basic Local Exchange Service includes Caller Number Delivery Feature.

(C)
|
(C)

2. The rates specified herein are for periods of one month, are payable in advance, and entitle subscribers to an unlimited number of messages to all parties as identified in the toll free calling areas identified on the flowing sheet(s).

Issue Date: October 10, 2014
Effective Date: November 30, 2014

Issued by: /s/ Shayne Ison
Shayne Ison, General Manager

GENERAL SUBSCRIBER SERVICES TARIFF

Mountain Rural Telephone
Cooperative

Section P
1st Revised Sheet 23

CUSTOMER LOCAL AREA SIGNALING SERVICES

D. Rates

The following monthly rates apply to CLASS Service features and are in addition to the rates and charges applicable for the associated service, equipment, and facilities.

	<u>Residential</u>	<u>Business</u>
1. Automatic Call Back	\$ 2.50	\$ 5.00
2. Automatic Redial	2.50	5.00
3. Calling Number Delivery	0.00 * (R)	5.00
4. Calling Number Delivery Blocking - Per Call	0.00	0.00
5. Calling Number Delivery Blocking - Per Line	0.00	0.00
6. Calling Name/Number Delivery	1.50 (R)	5.00
Calling Name Delivery Blocking - Per Call	0.00	0.00
Calling Name Delivery Blocking - Per line	0.00	0.00
7. Calling Identity Delivery and Suppression	0.00	0.00
8. Customer Originated Trace	3.50	5.00
Annoyance Call Bureau Reporting - Per Report	7.50	n/a
9. Selective Distinctive Ringing / Call Waiting	2.50	5.00
10. Selective Call Acceptance	2.50	5.00
11. Selective Call Forwarding	2.50	5.00
12. Selective Call Rejection	2.50	5.00

* This feature is included in the basic service line. **(N)**

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Issued by: /s/ Shayne Ison
Shayne Ison, General Manager

Mountain Rural Telephone Cooperative Corporation, Inc.
Case 2014-00309

Exhibit 2

Proposed Tariff Pages (Proposed with Black Line)

GENERAL SUBSCRIBER SERVICES TARIFF

Mountain Rural Telephone
Cooperative

Section C
5th-6th Revised Sheet 2

C.1 Local Exchange Service Rates

C.1.1 Definitions

Basic Local Access Charge – The recurring monthly charge for residential or business service that accounts for network services through the protector.

C.1.2 Monthly exchange service rates as authorized by the Kentucky Public Service Commission.

1. Monthly exchange rates for:
Campton
Ezel
Frenchburg
Hazel Green
Jeptha
Sandy Hook
West Liberty

One-party service

Basic Local Access Charge	<u>Residence</u>	<u>Business</u>
---------------------------	------------------	-----------------

With Touch-tone	\$416.00 (I)	\$17.63
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Touch-tone is provided as described in section M.5 of this tariff for both Residential and Business subscribers. Residential Basic Local Exchange Service includes Caller Number Delivery Feature.

(C)

(C)

2. The rates specified herein are for periods of one month, are payable in advance, and entitle subscribers to an unlimited number of messages to all parties as identified in the toll free calling areas identified on the flowing sheet(s).

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Shayne Ison, General Manager

GENERAL SUBSCRIBER SERVICES TARIFF

Mountain Rural Telephone
Cooperative

Section P
~~Original~~ 1st Revised Sheet 23

CUSTOMER LOCAL AREA SIGNALING SERVICES

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3. Calling Number Delivery	3.50 0.00 * (R)	5.00
4. Calling Number Delivery Blocking - Per Call	0.00	0.00
5. Calling Number Delivery Blocking - Per Line	0.00	0.00
6. Calling Name/Number Delivery	4.50 1.50 (R)	5.00
Calling Name Delivery Blocking - Per Call	0.00	0.00
Calling Name Delivery Blocking - Per line	0.00	0.00
7. Calling Identity Delivery and Suppression	0.00	0.00
8. Customer Originated Trace	3.50	5.00
Annoyance Call Bureau Reporting - Per Report	7.50	n/a
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* This feature is included in the basic service line. (N)

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Issued by: /s/ Shayne Ison
Shayne Ison, General Manager

CUSTOMER NOTICE AFFIDAVIT

AFFIDAVIT

I, Angela Pennington, am a representative of Mountain Telephone and am authorized to make this statement on its behalf.

I attest that the customer notice accompanying this affidavit was sent to all customers as a bill insert on the following dates: 10/1/14 in accordance with Section 17(2) of 807 KAR 5:001. I declare under penalty of perjury that the foregoing is true and correct.

Signature: Angela Pennington

Subscribed and sworn to me before this 3rd day of Oct, 2014.

Lissa B. Littleal
Notary Republic

My commission expires: 7-13-17

*****NOTICE*****

Dear Residential Subscriber,

On or around October 10th Mountain Rural Telephone Coop. Corp, Inc. will file with the KY Public Service Commission a change in basic local service rates charged to residential subscribers due to a Federal Communication Commission mandate. With this change, residential rates are proposed as follows:

	Current	Revised	Change
Residential Line with Caller ID/Name	\$ 18.50	\$ 17.50	\$(1.00)
Residential Line with Caller ID/Number	\$ 17.50	\$ 16.00	\$(1.50)
Residential Line with Caller ID/Call Waiting	\$ 22.00	\$ 21.00	\$(1.00)
Residential Line with no Call Feature*	\$ 14.00	\$ 16.00	\$ 2.00

* all residential subscribers will receive Caller ID/Number

With this filing, customers who currently do not subscribe to Caller ID will automatically receive Caller Number Delivery. We anticipate the average residential change to be a 2.8% reduction in local service rates. Business rates are unchanged with this filing. If approved by the PSC, the effective date of this rate change will be December 1, 2014.

The need to modify basic service rates is mandated by recent changes enacted by the Federal Communications Commission which set minimal local service rate levels as a condition of continued receipt of federal high cost support that allows us to deploy fiber optic facilities and support advanced voice and broadband services. Because this support is vital to the economic health of our community, we have no choice but to request this rate modification.

You may examine this application at the offices of Mountain Rural Telephone Coop. Corp, Inc. located at 425 Main Street, Suite A West Liberty, KY 41472 during regular business hours or at the offices of the Kentucky Public Service Commission located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's Web site at <http://psc.ky.gov>.

Comments regarding the application may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602. Rates contained in this notice are the rates proposed by the Company but the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

You may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party. If the Commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of this notice, the Commission may take final action on the application.



Telephone: (606) 743-1121
Facsimile: (606) 743-1637
Post Office Box 197
West Liberty, Ky. 40387-0197

August 29, 2014

RECEIVED

AUG 29 2014

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, KY 40602-0615

Dear Mr. Derouen:

Case No. 2014-00309

Mountain Rural Telephone Cooperative ("MRTC") gives this notice pursuant to 807 KAR 5:001 Section 16(2) of its intent to file no sooner than thirty (30) days from today, but not more than sixty (60) days from today, an application for a general adjustment in its rates. The general adjustment in rates will be supported by a twelve (12) month historical test period that may include adjustments for known and measurable changes.

The anticipated rate application is intended to meet the rate floor mandated in 47 CFR § 54.318, compliance with which is required to ensure that MRTC continues to receive high cost support that is essential to its operations. (See In the matter of Connect America Fund, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov. 18, 2011).)

The FCC's June 10, 2014 Order (See Report and Order, Declaratory Ruling, Order, Memorandum Opinion And Order, Seventh Order On Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54) requires MRTC to have reported line rates greater than or equal to \$16, commencing January 2, 2015 (reflecting rates as of December 1, 2014)¹.

A copy of this notice is being emailed to the Attorney General's Office of Rate Intervention by electronic mail at rateintervention@ag.ky.gov.

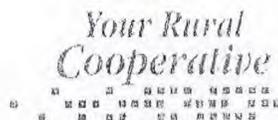
Please refer any questions to me at 606-743-3121 or SJson@MountainTelephone.com.

Sincerely,

Shayne Ison
General Manager

Cc via email: Eileen Bodamer, Bodamer Consulting

¹ Paragraph 80.



From: Shayne Ison [mailto:sison@mountaintelephone.com]

Sent: Thursday, August 28, 2014 2:57 PM

To: rateintervention@ag.ky.gov

Cc: Eileen Bodamer

Subject: Kentucky PSC Letter of Intent

The original of the attachment will be delivered to the Kentucky Public Service Commission via UPS Next Day (1Z4145500143882785).

Thank you,
Shayne Ison
General Manager
Mountain Telephone
(606) 743-3121



Telephone: (606)743-3121
Facsimile: (606)743-3635
Post Office Box 399
West Liberty, Ky. 41472-0399

August 29, 2014

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, KY 40602-0615

Dear Mr. Derouen:

Mountain Rural Telephone Cooperative ("MRTC") gives this notice pursuant to 807 KAR 5:001 Section 16(2) of its intent to file no sooner than thirty (30) days from today, but not more than sixty (60) days from today, an application for a general adjustment in its rates. The general adjustment in rates will be supported by a twelve (12) month historical test period that may include adjustments for known and measurable changes.

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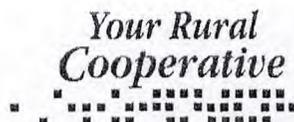
Please refer any questions to me at 606-743-3121 or SIson@MountainTelephone.com.

Sincerely,

Shayne Ison
General Manager

Cc via email: Eileen Bodamer, Bodamer Consulting

¹ Paragraph 80.



USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION KY0506
	PERIOD ENDING December, 2013

INSTRUCTIONS- See RUS Bulletin 1744-2

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	3,943,055	4,290,003
2. Network Access Services Revenues	8,940,554	14,796,449
3. Long Distance Network Services Revenues	415,386	49,748
4. Carrier Billing and Collection Revenues	1,229,976	244,103
5. Miscellaneous Revenues	550,704	483,654
6. Uncollectible Revenues	7,852	8,313
7. Net Operating Revenues (1 thru 5 less 6)	15,071,823	19,855,644
8. Plant Specific Operations Expense	3,311,688	3,136,955
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	1,021,468	1,161,408
10. Depreciation Expense	5,501,059	5,564,561
11. Amortization Expense		
12. Customer Operations Expense	1,288,628	1,275,094
13. Corporate Operations Expense	2,293,754	2,054,950
14. Total Operating Expenses (8 thru 13)	13,416,597	13,192,968
15. Operating Income or Margins (7 less 14)	1,655,226	6,662,676
16. Other Operating Income and Expenses		
17. State and Local Taxes	1,084,050	1,256,210
18. Federal Income Taxes		
19. Other Taxes		
20. Total Operating Taxes (17+18+19)	1,084,050	1,256,210
21. Net Operating Income or Margins (15+16-20)	571,176	5,406,466
22. Interest on Funded Debt	864,703	1,077,992
23. Interest Expense - Capital Leases		
24. Other Interest Expense	3,605	170
25. Allowance for Funds Used During Construction		
26. Total Fixed Charges (22+23+24-25)	868,308	1,078,162
27. Nonoperating Net Income	1,588,714	2,419,671
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	1,438,145	1,910,728
31. Total Net Income or Margins (21+27+28+29+30-26)	2,729,727	8,658,703
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	28,403,502	29,572,268
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)		
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital	1,560,961	136,140
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	29,572,268	38,094,831
40. Patronage Capital Beginning-of-Year	50,330,259	51,228,142
41. Transfers to Patronage Capital	1,560,961	136,140
42. Patronage Capital Credits Retired	663,078	616,328
43. Patronage Capital End-of-Year (40+41-42)	51,228,142	50,747,954
44. Annual Debt Service Payments	2,427,043	3,055,381
45. Cash Ratio [(14+20-10-11) / 7]	0.5971	0.4475
46. Operating Accrual Ratio [(14+20+26) / 7]	1.0197	0.7820
47. TIER [(31+26) / 26]	4.1437	9.0310
48. DSCR [(31+26+10+11) / 44]	3.7490	5.0080

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General Ledger Chart Of Accounts

Page: 1

<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
0	1130.0	CASH - GENERAL FUND	Asset			Active
0	1130.1	COMMERCIAL BANK - CREDIT CARD	Asset			Active
0	1130.2	WORKING CASH ADVANCE	Asset			Active
0	1130.3	PATRONAGE CAPITAL ACCOUNT	Asset			Active
0	1130.4	CASH - 1ST NAT'L BK GRAYSON	Asset			Active
0	1130.5	CASH - CITIZENS BANK	Asset			Active
0	1130.6	CASH - KENTUCKY BANK	Asset			Active
0	1130.7	CASH - RUS PLEDGED DEPOSIT ACCT	Asset			Active
0	1160.0	TEMP INVEST-COMM BANK SWEEP	Asset			Active
0	1160.03	TEMP INVEST-PEOPLES BANK	Asset			Active
0	1160.04	TEMP INVEST-BANK OF THE MTNS	Asset			Active
0	1160.07	TEMP INVEST-FARMERS & TRADERS	Asset			Active
0	1160.08	TEMP INVEST-SALT LICK DEP BANK	Asset			Active
0	1160.09	TEMP INVEST-TRADITIONAL BANK	Asset			Active
0	1160.1	TEMP INVEST-U.S. TREASURY NOTES	Asset			Active
0	1160.14	TEMP INVEST-PEOPLES EXCH BANK	Asset			Active
0	1160.15	TEMP INVEST-BANK REPUR AGREEMENT	Asset			Active
0	1180.0	A/R TELECOMMUNICATIONS	Asset			Active
0	1180.1	A/R Unbilled Tolls	Asset			Active
0	1180.2	A/R TELECOMM DEPOSITS ENROUTE	Asset			Active
0	1181.0	A/R TELCOMMUNICATIONS ALLOWANCE	Asset			Active
0	1190.0	A/R ACCESS BILLING	Asset			Active
0	1190.1	A/R MOUNTAIN TELECOMMUNICATIONS	Asset			Active
0	1190.2	A/R EMPLOYEE LOAN	Asset			Active
0	1190.3	A/R EMPLOYEE TRAVEL ADVANCE	Asset			Active
0	1190.4	A/R OTHER	Asset			Active
0	1190.5	A/R USAC	Asset			Active
0	1191.0	A/R OTHER ALLOWANCE	Asset			Active
0	1210.0	INTEREST & DIVIDENDS RECEIVABLE	Asset			Active
0	1220.1	MATERIALS & SUPPLIES OSP	Asset			Active
0	1220.11	MATERIALS & SUPPLIES ARRA	Asset			Active
0	1220.12	MATERIALS & SUPPLIES CO	Asset			Active
0	1310.0	PREPAID INSURANCE	Asset			Active
0	1310.1	PREPAID INSURANCE-GEN PROPERTY	Asset			Active
0	1310.2	PREPAID INS-RETIREMENT ANNUITY	Asset			Active
0	1310.3	PREPAID INS-AUTO	Asset			Active

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General Ledger Chart Of Accounts

Page: 2

<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
0	1330.0	OTHER PREPAYMENTS	Asset			Active
0	1401.0	INVESTMENT-AFFILIATED COMPANY	Asset			Active
0	1401.1	INVESTMENT-SUBSIDIARY PROFIT EKN	Asset			Active
0	1402.0	INVEST-NONAFFILIATED COMPANIES	Asset			Active
0	1402.1	OTHER INVESTMENTS-RTB DR	Asset			Active
0	1402.2	OTHER INVESTMENTS-RTB CR	Asset			Active
0	1402.3	INVEST-NONAFFILIATED NISC	Asset			Active
0	1402.31	INVEST-NONAFFILIATED NRTC	Asset			Active
0	1406.1	NONREG INVEST-PERM/LEASD STN EQ	Asset			Active
0	1406.11	NONREG INVEST-PAYPHONE EQUIP	Asset			Active
0	1406.12	NONREG INVEST-LEASED PBX/KEY	Asset			Active
0	1406.13	NONREG INVEST-FTTH CPE	Asset			Active
0	1406.14	NONREG INVEST-VIDEO	Asset			Active
0	1406.15	NONREG INVEST-INTERNET	Asset			Active
0	1406.16	NONREG INVEST-CENTREX	Asset			Active
0	1406.17	NONREG INVEST-VOICE MAIL	Asset			Active
0	1406.18	ACC AMORTIZATION-INTERNET	Asset			Active
0	1406.19	NONREG INVEST-CUR NET INCM/LOSS	Asset			Active
0	1406.31	ACC DEP-PHS NONREG LEASD STN EQ	Asset			Active
0	1406.311	ACC DEP-PAYPHONE EQUIPMENT	Asset			Active
0	1406.312	ACC DEP-PHS NONREG PBX/KEY	Asset			Active
0	1406.313	ACC DEP-FTTH CPE	Asset			Active
0	1406.314	ACC DEP-NONREG VIDEO	Asset			Active
0	1406.315	ACC DEP-NONREG INTERNET	Asset			Active
0	1406.316	ACC DEP-NONREG CENTREX	Asset			Active
0	1406.317	ACC DEP-NONREG VOICE MAIL	Asset			Active
0	2003.1	TPUC - OUTSIDE PLANT	Asset			Active
0	2003.15	TPUC - OUTSIDE PLANT ARRA	Asset			Active
0	2003.151	TPUC - OUTSIDE PLANT ARRA GRANT	Asset			Active
0	2003.2	TPUC - CENTRAL OFFICE	Asset			Active
0	2111.0	LAND	Asset			Active
0	2112.0	MOTOR VEHICLES	Asset			Active
0	2116.0	TOOLS & OTHER WORK EQUIPMENT	Asset			Active
0	2121.0	HEADQUARTERS BUILDING	Asset			Active
0	2121.1	NON-HEADQUARTERS BUILDING	Asset			Active
0	2121.13	NON-HDQTRS BLDG-CENTRAL OFFICE	Asset			Active

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General Ledger Chart Of Accounts

Page: 3

<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
0	2122.0	FURNITURE	Asset			Active
0	2123.0	OFFICE SUPPORT EQUIPMENT	Asset			Active
0	2123.1	COMPANY COMMUNICATIONS EQUIPMENT	Asset			Active
0	2124.0	GENERAL PURPOSE COMPUTERS	Asset			Active
0	2212.0	DIGITAL ELECTRONIC SWITCHING	Asset			Active
0	2212.1	MOBILE PAGING EQUIPMENT	Asset			Active
0	2231.0	RADIO SYSTEMS	Asset			Active
0	2232.0	CCT EQUIP-TRUNK CARRIER DIGITAL	Asset			Active
0	2232.21	FTTH CIRCUIT EQUIP-ELECTRONIC	Asset			Active
0	2232.22	FTTH CIRCUIT EQUIP-NON ELECTRONI	Asset			Active
0	2232.23	FTTH CARRIER EQUIPMENT-ONT	Asset			Active
0	2233.0	CCT EQUIP-SUB CARRIER DIGITAL	Asset			Active
0	2311.0	STN APPARATUS-MOBILE UNITS	Asset			Active
0	2411.0	POLES	Asset			Active
0	2421.0	AERIAL CABLE	Asset			Active
0	2421.1	ACCESS LINES & DROPS	Asset			Active
0	2421.12	FTTH ACCESS LINES & DROPS	Asset			Active
0	2421.2	FIBER OPTIC CABLE TRANSPORT	Asset			Active
0	2421.21	FTTH AERIAL FIBER OPTIC CABLE	Asset			Active
0	2422.0	UNDERGROUND CABLE	Asset			Active
0	2423.0	BURIED CABLE	Asset			Active
0	2423.2	FTTH BURIED FIBER OPTIC CABLE	Asset			Active
0	2431.0	AERIAL WIRE	Asset			Active
0	2431.1	BURIED WIRE	Asset			Active
0	2441.0	CONDUIT SYSTEMS	Asset			Active
0	2690.1	INTANGIBLES-ORGANIZATIONS	Asset			Active
0	2690.2	INTANGIBLES-FRANCHISES	Asset			Active
0	3112.0	ACC DEP-MOTOR VEHICLES	Asset			Active
0	3116.0	ACC DEP-TOOLS & OTHER WORK EQUIP	Asset			Active
0	3121.0	ACC DEP-HEADQUARTERS BUILDING	Asset			Active
0	3121.1	ACC DEP-NON HEADQUARTERS BLDG	Asset			Active
0	3121.13	ACC DEP-RE-NON HDQTRS BLDG-CO	Asset			Active
0	3122.0	ACC DEP-FURNITURE	Asset			Active
0	3123.0	ACC DEP-OFFICE SUPPORT EQUIP.	Asset			Active
0	3123.1	ACC DEP-COMPANY COMM. EQUIPMENT	Asset			Active
0	3124.0	ACC DEP-GEN PURPOSE COMPUTERS	Asset			Active

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General Ledger Chart Of Accounts

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Div	Account	Description	Type	Category	Group	Status
0	3212.0	ACC DEP-DIGITAL ELECT SWITCHING	Asset			Active
0	3212.1	ACC DEP-MOBILE PAGING EQUIPMENT	Asset			Active
0	3231.0	ACC DEP-RADIO SYSTEMS	Asset			Active
0	3232.0	ACC DEP-CCT EQ TRNK CARR DIGITAL	Asset			Active
0	3232.21	ACC DEP-FTTH CIR EQ ELECTRONIC	Asset			Active
0	3232.22	ACC DEP-FTTH CIR EQ NON ELECTRON	Asset			Active
0	3232.23	ACC DEP-FTTH CARRIER EQUIP ONT	Asset			Active
0	3233.0	ACC DEP-CCT EQ SUB CARRI DIGITAL	Asset			Active
0	3311.0	ACC DEP-STN APP MOBILE UNITS	Asset			Active
0	3411.0	ACC DEP-POLES	Asset			Active
0	3421.0	ACC DEP-AERIAL CABLE	Asset			Active
0	3421.1	ACC DEP-ACCESS LINES & DROPS	Asset			Active
0	3421.12	ACC DEP-FTTH ACCESS LINES & DROP	Asset			Active
0	3421.2	ACC DEP-FOC TRANSPORT	Asset			Active
0	3421.21	ACC DEP-FTTH AERIAL FOC	Asset			Active
0	3422.0	ACC DEP-UNDERGROUND CABLE	Asset			Active
0	3423.0	ACC DEP-BURIED CABLE	Asset			Active
0	3423.2	ACC DEP-FTTH BURIED FOC	Asset			Active
0	3431.0	ACC DEP-AERIAL WIRE	Asset			Active
0	3431.1	ACC DEP-BURIED WIRE	Asset			Active
0	3441.0	ACC DEP-CONDUIT SYSTEMS	Asset			Active
0	4010.0	A/P GENERAL	Liability			Active
0	4010.01	A/P UNBILLED TOLLS	Liability			Active
0	4010.02	A/P SOLIX	Liability			Active
0	4010.11	A/P AT&T	Liability			Active
0	4010.12	A/P FEDERAL EXCISE TAX	Liability			Active
0	4010.121	A/P STATE EXCISE TAX	Liability			Active
0	4010.13	A/P FED INCOME TAX WITHHELD	Liability			Active
0	4010.14	A/P STATE INCOME TAX WITHHELD	Liability			Active
0	4010.15	A/P STATE SALES & USE TAX	Liability			Active
0	4010.16	A/P ACCRUED PAYROLL	Liability			Active
0	4010.17	A/P EMPLOYEE % NTCA SAVINGS	Liability			Active
0	4010.18	A/P MISC EMPLOYEE DEDUCTIONS	Liability			Active
0	4010.19	A/P KY GROSS REV TELECOM TAX	Liability			Active
0	4010.2	A/P MORGAN CO. UTILITY TAX	Liability			Active
0	4010.21	A/P MENIFEE CO. UTILITY TAX	Liability			Active

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<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
0	4010.22	A/P WOLFE CO. UTILITY TAX	Liability			Active
0	4010.23	A/P ELLIOTT CO. UTILITY TAX	Liability			Active
0	4010.24	A/P BATH CO. UTILITY TAX	Liability			Active
0	4010.3	A/P KY DUAL PARTY RELAY	Liability			Active
0	4010.31	A/P LIFE LINE SUPPORT FUND	Liability			Active
0	4010.4	A/P WOLFE CO. 911	Liability			Active
0	4010.41	A/P ELLIOTT CO. 911	Liability			Active
0	4010.42	A/P BATH CO. 911	Liability			Active
0	4010.43	A/P MENIFEE CO. 911	Liability			Active
0	4010.44	A/P MORGAN CO. 911	Liability			Active
0	4010.45	A/P CITY OF WEST LIBERTY 911	Liability			Active
0	4010.47	A/P INTERNET	Liability			Active
0	4010.477	A/P BELLSOUTH SALES TAX	Liability			Active
0	4010.478	A/P BELLSOUTH MISCELLANEOUS	Liability			Active
0	4010.49	A/P APPALACHIAN WIRELESS	Liability			Active
0	4010.99	A/P UNINVOICED MATERIALS	Liability			Active
0	4030.0	ADVANCE BILLING	Liability			Active
0	4040.0	CUSTOMER DEPOSITS	Liability			Active
0	4070.1	ACCRUED FEDERAL INCOME TAX	Liability			Active
0	4070.11	ACCRUED FED INCOME TAX 990-T	Liability			Active
0	4080.1	OTHER TAXES ACCRUED-PROPERTY	Liability			Active
0	4080.2	OTHER TAXES ACCRUED-FICA	Liability			Active
0	4080.21	OTHER TAXES ACCRUED-MEDICARE	Liability			Active
0	4080.3	OTHER TAXES ACCR-FED UNEMPLOYMNT	Liability			Active
0	4080.4	OTHER TAXES ACCR-ST UNEMPLOYMENT	Liability			Active
0	4120.1	OTHER ACCRUED LIAB-ANNUAL LEAVE	Liability			Active
0	4120.13	OTHER ACC LIAB-INT REA CNST FUND	Liability			Active
0	4120.14	OTHER ACC LIAB-INT RTB CNST FUND	Liability			Active
0	4120.15	OTHER ACC LIAB-INTEREST CUST DEP	Liability			Active
0	4120.6	OTHER ACC LIAB-EMPL SICK LEAVE	Liability			Active
0	4120.61	BOARD/EMPLOYEE DONATION SICK	Liability			Active
0	4210.2	FUNDED DEBT - REA	Liability			Active
0	4210.5	FUNDED DEBT-RTB	Liability			Active
0	4210.51	UNADVANCED FUNDS-RTB	Liability			Active
0	4210.52	REA-CUSHION OF CREDIT ACCOUNT	Liability			Active
0	4210.6	FUNDED DEBT-BBL	Liability			Active

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Div	Account	Description	Type	Category	Group	Status
0	4310.1	OTHER LIAB-POST RETIREMNT HEALTH	Liability			Active
0	4310.11	INVST FAS 106-MRTC EMPLOYEES	Liability			Active
0	4310.12	INVST FAS 106-BOARD OF DIRECTORS	Liability			Active
0	4530.0	ACCUM OTHER COMPREHENSIVE INCOME	Liability			Active
0	4540.0	OTHER CAPITAL	Liability			Active
0	4540.1	OTHER CAPITAL-INACTIVE MBRSHIPS	Liability			Active
0	4540.12	OTHER CAPITAL - STOCK 3.00	Liability			Active
0	4540.14	OTHER CAPITAL - STOCK 13.00	Liability			Active
0	4550.1	RETAINED EARNINGS - UNASSIGNED	Liability			Active
0	4550.2	PATRONAGE CAPITAL-ASSN MARGINS	Liability			Active
0	4550.21	UNASSIGNED-NON-OPERATING MARGIN	Liability			Active
0	5001.1	BASIC AREA REV-LOCAL ACCESS LINE	Income			Active
0	5001.2	BASIC AREA REV-PAGERS	Income			Active
0	5001.3	BASIC AREA REV-LOCAL ACC XDSL	Income			Active
0	5040.0	LOCAL PRIVATE LINE REVENUE	Income			Active
0	5081.0	END USER REV-INTERSTATE	Income			Active
0	5082.1	INTERSTATE SWITCHED ACCESS REV	Income			Active
0	5082.11	INTERSTATE INTRALA SW ACCESS REV	Income			Active
0	5082.12	INTERST SW ACC REV-PREPAID CC	Income			Active
0	5082.13	INTERST SW ACC REV-PAYPH DIGIT	Income			Active
0	5082.14	INTERST SW ACC REV-ARC	Income			Active
0	5082.2	INTERSTATE NECA ACCESS REVENUE	Income			Active
0	5083.0	INTERSTATE SPECIAL ACCESS REV	Income			Active
0	5084.1	INTRASTATE INTERLATA SW ACC REV	Income			Active
0	5084.2	INTRASTATE INTRALATA SW ACC REV	Income			Active
0	5084.21	INTRASTATE INTRALATA ALLTEL ACS	Income			Active
0	5084.3	INTRAST INTERLATA SPEC ACC REV	Income			Active
0	5100.1	LONG DIST MESG REV-AT&T INTERST	Income			Active
0	5100.2	LD MSG REV-AT&T INTRA INTER	Income			Active
0	5100.3	LD MSG REV-INTRAST INTRALATA	Income			Active
0	5100.31	TOLL MSG REV-AT&T INTRAST INTRAL	Income			Active
0	5100.35	MSG REV INTRASTATE EAST KY NET	Income			Active
0	5100.4	AOS TOLL - INTERSTATE	Income			Active
0	5100.41	AOS TOLL-INTRASTATE INTERLATA	Income			Active
0	5100.42	AOS TOLL - INTRASTATE INTRALATA	Income			Active
0	5120.3	LD PVT LINE REV-INTRAST/INTRALA	Income			Active

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<u>Div</u>	<u>Account</u>	<u>Description</u>	<u>Type</u>	<u>Category</u>	<u>Group</u>	<u>Status</u>
0	5230.0	DIRECTORY REVENUE	Income			Active
0	5240.1	RENT REVENUE-POLE ATTACHMENTS	Income			Active
0	5240.4	RENT REVENUE-TRIAx CORPORATION	Income			Active
0	5240.5	RENT REVENUE-EAST KY NETWORK	Income			Active
0	5240.6	RENT REVENUE-NICKELL PROPERTY	Income			Active
0	5240.7	RENT REVENUE-VEHICLES	Income			Active
0	5262.0	CUSTOMER OPERATIONS REVENUE	Income			Active
0	5262.1	OPER REV-PIC CHG INTERSTATE	Income			Active
0	5262.11	OPERATIONS REVENUE - DSL	Income			Active
0	5262.12	CUST OPER REV-FCC SERVICE CHARGE	Income			Active
0	5262.2	OPER REV-PIC CHG INTRASTATE	Income			Active
0	5264.0	OTHER INCIDENTAL REG REV + OR -	Income			Active
0	5270.1	CXR B&C REV-INTERSTATE	Income			Active
0	5270.2	CXR B&C REV-INTRAST INTERLATA	Income			Active
0	5270.3	CXR B&C REV-INTRAST INTRALATA	Income			Active
0	5270.4	CXR B&C REV-INS/OPR SRV PROV	Income			Active
0	5270.41	CXR B&C AOS INTRAST INTERLATA	Income			Active
0	5270.42	CXR B&C AOS INTRAST INTRALATA	Income			Active
0	5270.43	CXR B&C REV - MTL D	Income			Active
0	5270.44	B&C REV - INET	Income			Active
0	5270.45	B&C REV - CENTREX	Income			Active
0	5270.46	B&C REV - VOICE MAIL	Income			Active
0	5270.47	B&C REV - DSL	Income			Active
0	5270.48	B&C REV - 911	Income			Active
0	5301.0	UNCOLLECTIBLE REV - ACCESS	Income			Active
0	5302.0	UNCOLLECTIBLE REV-OTHER AT&T	Income			Active
0	6112.0	MOTOR VEHICLE EXPENSE	Expense			Active
0	6112.01	MOTOR VEHICLE EXPENSE-LABOR	Expense			Active
0	6112.02	MOTOR VEHICLE EXPENSE-BENEFITS	Expense			Active
0	6112.03	MOTOR VEHICLE EXPENSE-OTHER	Expense			Active
0	6112.2	MOTOR VEHICLE EXPENSE-NON PLANT	Expense			Active
0	6112.21	MOTOR VEH EXP-NON PLANT-LABOR	Expense			Active
0	6112.22	MOTOR VEH EXP-NON PLANT-BENEFITS	Expense			Active
0	6112.23	MOTOR VEH EXP-NON PLANT-OTHER	Expense			Active
0	6114.0	TOOLS & OTHER WORK EQUIPMENT EXP	Expense			Active
0	6114.1	TOOLS & OTHER WORK EQUIP-LABOR	Expense			Active

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0	6114.2	TOOLS & OTHER WORK EQUIP-BENEFIT	Expense			Active
0	6114.3	TOOLS & OTHER WORK EQUIP-OTHER	Expense			Active
0	6114.4	TOOLS & OTHER WORK EQUIP-RENTAL	Expense			Active
0	6121.1	HEADQUARTERS BUILDING EXPENSE	Expense			Active
0	6121.11	HEADQUARTERS BUILDING EXP-LABOR	Expense			Active
0	6121.12	HEADQUARTERS BUILDING-BENEFITS	Expense			Active
0	6121.13	HEADQUARTERS BUILDING EXP-OTHER	Expense			Active
0	6121.14	HEADQUARTERS BUILDING EXP-RENTAL	Expense			Active
0	6121.2	NON HEADQUARTERS BUILDING EXP	Expense			Active
0	6121.21	NON HEADQUARTERS BUILDING-LABOR	Expense			Active
0	6121.22	NON HEADQUARTERS BLD-BENEFITS	Expense			Active
0	6121.23	NON HEADQUARTERS BLD-OTHER	Expense			Active
0	6121.24	NON HEADQUARTERS BLD-RENTAL	Expense			Active
0	6121.3	NON HQ BLDG EXP-CENTRAL OFFICE	Expense			Active
0	6121.31	NON HDQTRS BLDG-CO LABOR	Expense			Active
0	6121.32	NON HDQTRS BLDG-CO BENEFITS	Expense			Active
0	6121.33	NON HDQTRS BLDG-CO OTHER	Expense			Active
0	6121.34	NON HDQTRS BLDG-CO RENTAL	Expense			Active
0	6122.0	FURNITURE & ARTWORKS EXPENSE	Expense			Active
0	6123.1	OFFICE SUPPORT EQUIPMENT EXPENSE	Expense			Active
0	6124.0	GENERAL PURPOSE COMPUTER EXPENSE	Expense			Active
0	6124.1	GENERAL PURPOSE COMPUTER-LABOR	Expense			Active
0	6124.2	GENERAL PURPOSE COMPUTER-BENEFIT	Expense			Active
0	6124.3	GENERAL PURPOSE COMPUTER-OTHER	Expense			Active
0	6210.1	DIGITAL ELECT EXP-INTERSTATE	Expense			Active
0	6210.11	DIGITAL ELECT EXP-INTERSTATE-LBR	Expense			Active
0	6210.12	DIGITAL ELECT EXP-INTERSTATE-BEN	Expense			Active
0	6210.13	DIGITAL ELECT EXP-INTERSTATE-OTH	Expense			Active
0	6210.2	DIGITAL ELECT EXP-INTRASTATE	Expense			Active
0	6210.21	DIGITAL ELECT EXP-INTRASTATE-LBR	Expense			Active
0	6210.22	DIGITAL ELECT EXP-INTRASTATE-BEN	Expense			Active
0	6210.23	DIGITAL ELECT EXP-INTRASTATE-OTH	Expense			Active
0	6212.0	DIGITAL ELECTRONICS EXPENSE	Expense			Active
0	6212.1	DIGITAL ELECTRONICS EXP-LABOR	Expense			Active
0	6212.2	DIGITAL ELECTRONICS EXP-BENEFITS	Expense			Active
0	6212.3	DIGITAL ELECTRONICS EXP-OTHER	Expense			Active

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0	6212.4	DIGITAL ELECTRONICS EXP-RENTAL	Expense			Active
0	6212.5	FTTH SWITCHING EXPENSE	Expense			Active
0	6212.51	FTTH SWITCHING EXPENSE-LABOR	Expense			Active
0	6212.52	FTTH SWITCHING EXPENSE-BENEFITS	Expense			Active
0	6212.53	FTTH SWITCHING EXPENSE-OTHER	Expense			Active
0	6232.1	CCT EQUIP EXP-TRUNK CXR DIGITAL	Expense			Active
0	6232.11	CCT EQUIP EXP-TRK CXR DIG-LABOR	Expense			Active
0	6232.12	CCT EQUIP EXP-TRK CXR DIG-BEN	Expense			Active
0	6232.13	CCT EQUIP EXP-TRK CXR DIG-OTHER	Expense			Active
0	6232.2	CCT EQUIPMENT EXP-SUB CXR DIG	Expense			Active
0	6232.21	CCT EQUIP EXP-SUB CXR DIG-LABOR	Expense			Active
0	6232.22	CCT EQUIP EXP-SUB CXR DIG-BEN	Expense			Active
0	6232.23	CCT EQUIP EXP-SUB CXR DIG-OTHER	Expense			Active
0	6232.3	FTTH CARRIER EQUIP EXP-ONT	Expense			Active
0	6232.31	FTTH CARRIER EQUIP EXP-ONT-LABOR	Expense			Active
0	6232.32	FTTH CARRIER EQUIP EXP-ONT-BENEF	Expense			Active
0	6232.33	FTTH CARRIER EQUIP EXP-ONT-OTHER	Expense			Active
0	6232.5	FTTH CIRCUIT EQUIPMENT EXPENSE	Expense			Active
0	6232.51	FTTH CIRCUIT EQUIPMENT EXP-LABOR	Expense			Active
0	6232.52	FTTH CIRCUIT EQUIP EXP-BENEFITS	Expense			Active
0	6232.53	FTTH CIRCUIT EQUIPMENT EXP-OTHER	Expense			Active
0	6311.0	STATION APPARATUS EX-MOBILE UNIT	Expense			Active
0	6411.0	POLE EXPENSE	Expense			Active
0	6411.1	POLE EXPENSE-LABOR	Expense			Active
0	6411.2	POLE EXPENSE-BENEFITS	Expense			Active
0	6411.3	POLE EXPENSE-OTHER	Expense			Active
0	6411.5	POLE EXPENSE-JOINT USE	Expense			Active
0	6421.1	AERIAL CABLE EXPENSE	Expense			Active
0	6421.11	AERIAL CABLE EXPENSE-LABOR	Expense			Active
0	6421.12	AERIAL CABLE EXPENSE-BENEFITS	Expense			Active
0	6421.13	AERIAL CABLE EXPENSE-OTHER	Expense			Active
0	6421.2	ACCESS LINES & DROPS EXPENSE	Expense			Active
0	6421.21	ACCESS LINES & DROPS EXP-LABOR	Expense			Active
0	6421.22	ACCESS LINES & DROPS EXP-BENEFIT	Expense			Active
0	6421.23	ACCESS LINES & DROPS EXP-OTHER	Expense			Active
0	6421.3	FIBER OPTIC CABLE TRANSPORT EXP	Expense			Active